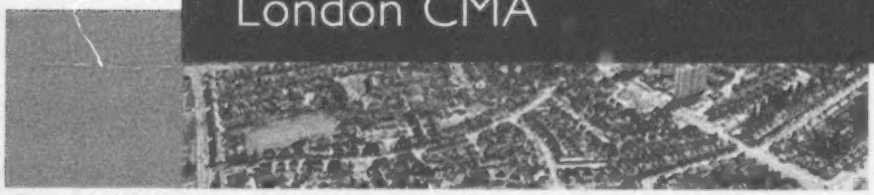
HOUSING MARKET INFORMATION

HOUSING MARKET OUTLOOK

London CMA



Canada Mortgage and Housing Corporation

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Resale Market

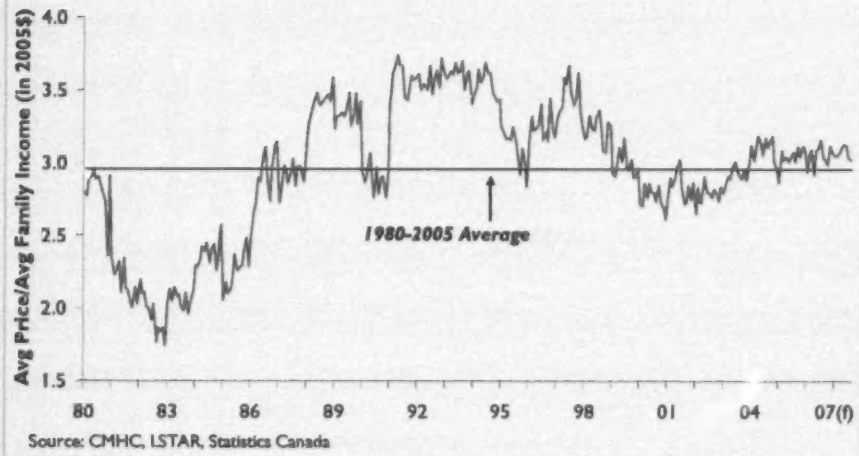
Record Home Sales

Home sales through the Multiple Listing Service (MLS®) in the London area in 2007 will exceed the 2006 result by 5.2 per cent to a record 9,400 homes. Homeownership demand will continue strong into 2008 with 9,050 sales, the second highest on record. Strong employment growth, low mortgage carrying costs and ample choice will support the resale housing market.

High employment and real income growth along with relatively affordable home prices in the London Census Metropolitan Area (CMA) have been encouraging first-time home buyers to get into the homeownership market. Rising demand for homeownership, in turn, tightened the resale

Figure 1

Homes Are Still Affordable



Source: CMHC, LSTAR, Statistics Canada

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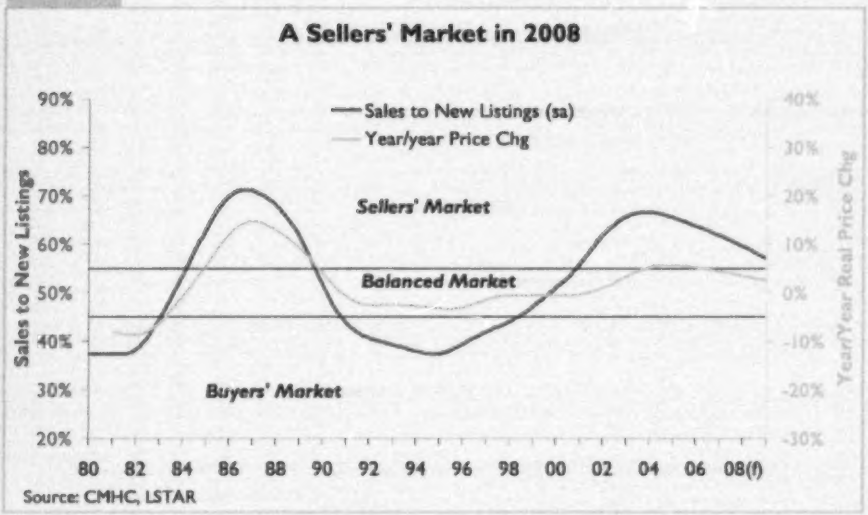
Figure 2



market and drove the average home price up at a pace faster than the general rate of inflation.

In spite of strong home price gains, the ratio of average resale home price to average family income has remained relatively close to the average for the period 1980 to 2005 in recent years. With the outlook of mortgage rates to remain close to the current levels, demand for homeownership will stay robust.

New listings, after edging up by 2.8 per cent in 2007, will rise another 4.1 per cent in 2008 and surpass the record set in 1996 to 15,760 homes. Rising home prices will continue to attract homeowners to trade up to better homes. Looking to 2008, the existing home market will continue to favour sellers with the sales-to-new listings ratio staying above 55 per cent. The average resale home price will increase by 4.3 per cent to $209,900 in 2008 after a 6.5 per cent growth in 2007. The resale home market, although staying in the sellers' territory, will continue to trend towards a more balanced state.

Higher value homes are becoming more popular among home buyers.

The average price of a resale home in 2006 in London North was 24 per cent higher than the CMA average. Home sales in London North represented 27 per cent of total sales in London CMA in 2006 compared to 20 per cent two decades ago. On average, resale homes in London North are more expensive than homes in other CMA areas.

Two-storey homes continue to be the most popular house type in the London area, accounting for close to 22 per cent of total home sales in 2006. The share of two-storey homes sales will continue to rise in the housing stock since a rising percentage of new homes have two storeys.

New Home Market

Starts Will Ease but Solid

After reaching a 16-year record in 2006, total new home starts in the London CMA will ease ten per cent in 2007 to 3,300 homes. In 2008, housing starts will retreat another three per cent to 3,200 homes. Less spillover demand from the resale market and the persistent price premium will ease demand for new houses.

The new home market has been benefiting from spillover demand from a tight resale market. A sellers' market in 2008 will continue to support demand for new homes. Nonetheless, the resale market will be moving towards a more balanced state next year and easing the pressure on the new home market.

Figure 3

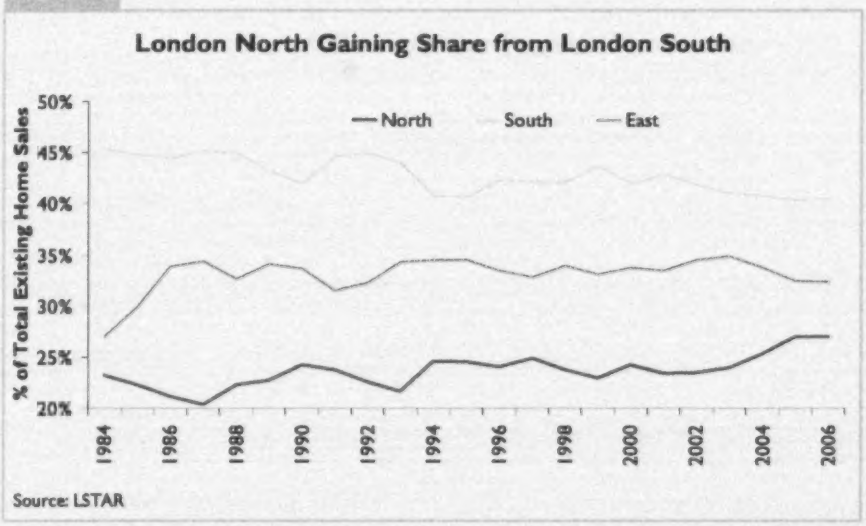
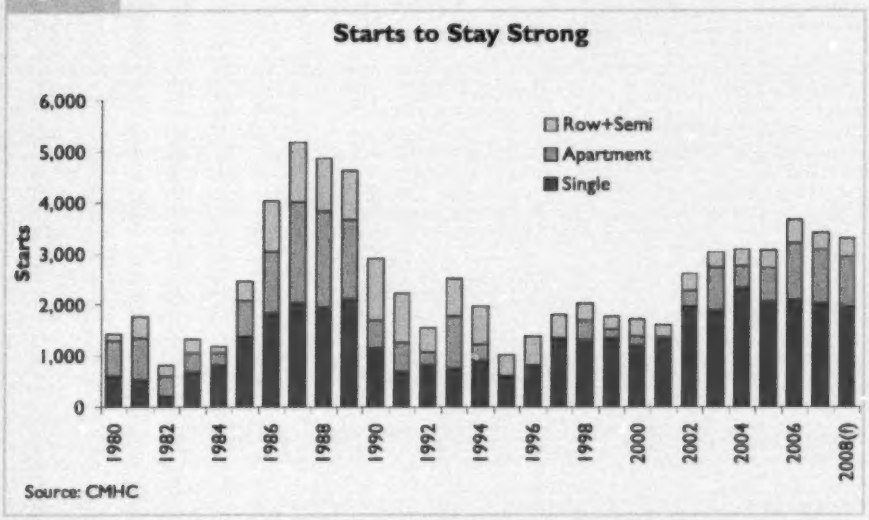


Figure 4



Single-detached home starts will decrease three per cent to 1,950 homes in 2008 following a three per cent drop in 2007. Strong demand for new homes, especially homes priced over $450,000, will push the average new single-detached home price higher by 6.8 per cent in 2007 to $292,150. In 2008, the average price will exceed $300,000.

Apartment starts will reach 950 units in 2007 and 900 units in 2008, well above their 20-year average. Townhouse starts will be around 300 units for 2007 and 2008.

Multiple-family housing types will continue to gain share in the new home market due to demographics and life style changes. The oldest baby boomers are moving into their pre-retirement ages while echo-boomers are getting into the job market. London has been attracting more young residents in recent years. The tightening job market improves youth's opportunity for employment. Furthermore, family size has been decreasing. More households are classified as one-person, lone-parent, or couples without children. One-person and lone-parent households are more inclined to rent. The homeownership ratio for these two household groups was below 50 per cent compared to 80 per cent for couple family households in the 2006 Census in the London CMA.

Economic Trends

Unemployment Rate Moves Lower

London's unemployment rate has been falling since the mid-1990s. Between 1996 and 2006, the labour force grew by 38,000, while total employment increased by 41,000. Sectors enjoying strong job growth included professional, scientific and technical services, business, building and other support services, accommodation and food services, and information, culture and recreation. Traditional major employment sectors such as educational, financial and health care services, and manufacturing experienced relatively slow growth rates and their percentages to total employment decreased slightly in recent years. However, investments in industrial and institutional facilities picked up strongly in the first nine months of 2007, pointing to relatively strong employment gains in these sectors in the coming years.

Figure 5

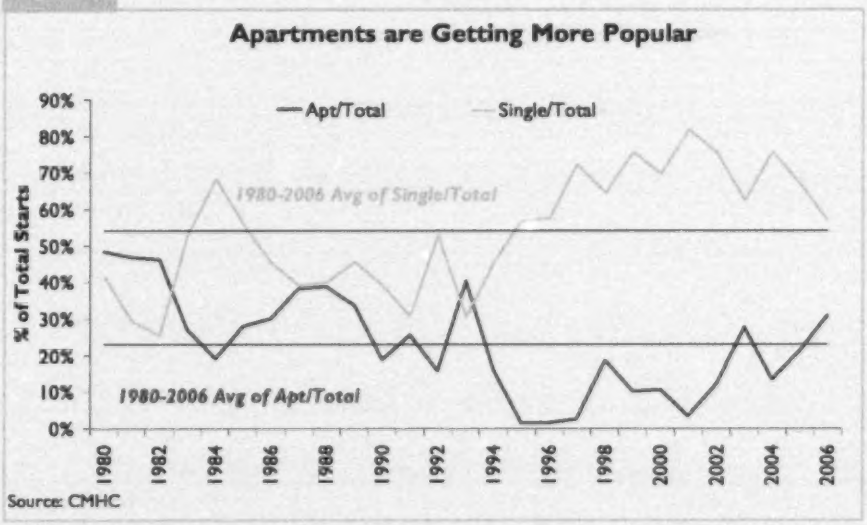
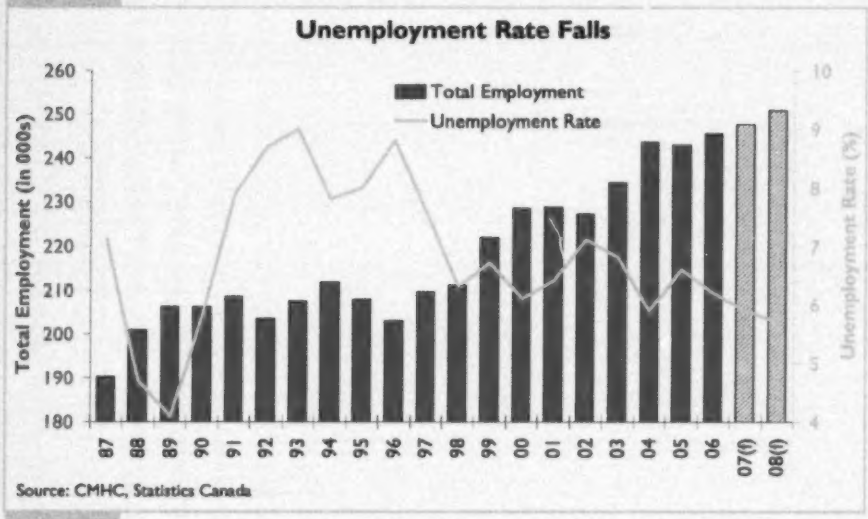
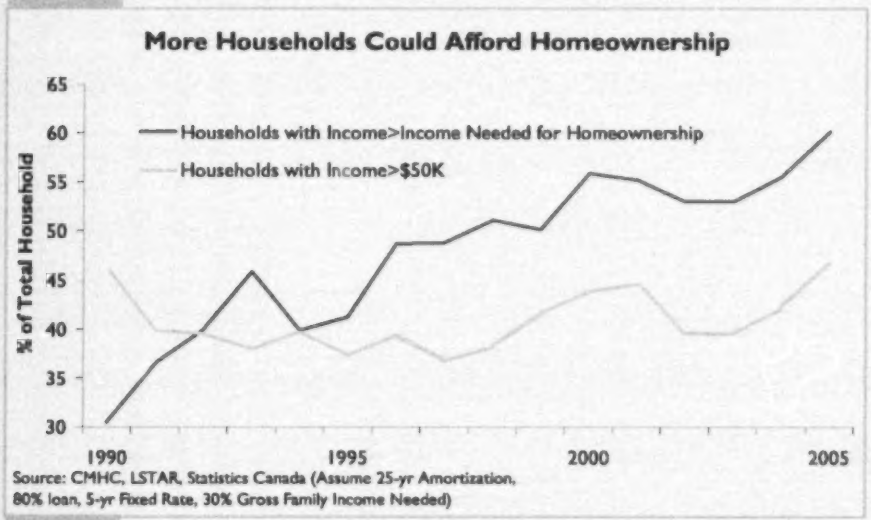


Figure 6



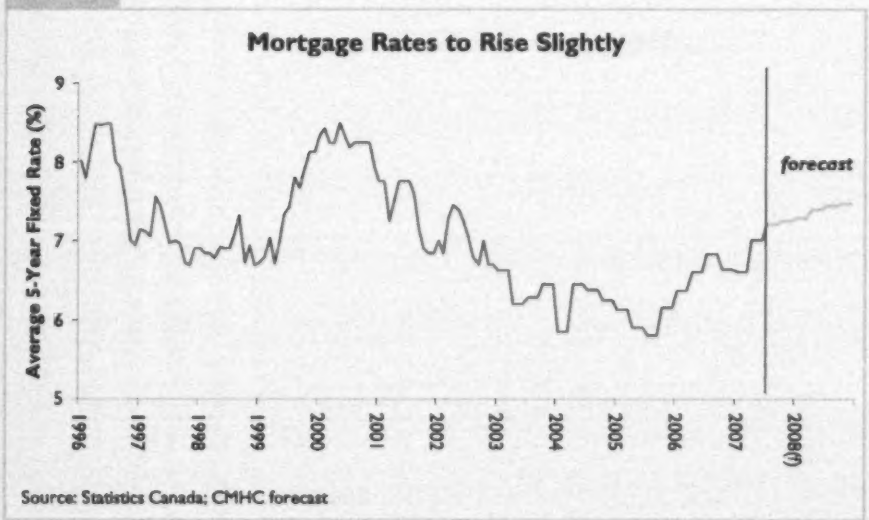
Source: CMHC, Statistics Canada

Figure 7



Source: CMHC, LSTAR, Statistics Canada (Assume 25-yr Amortization, 80% loan, 5-yr Fixed Rate, 30% Gross Family Income Needed)

Figure 8



Source: Statistics Canada; CMHC forecast

Labour force participation rate has been rising steadily in the 45-64 age group, from 47.4 per cent in 1996 to 55.2 per cent in 2006. Labour market participation rate for the 25-44 age group remained relatively unchanged at around 88 per cent. The tightening job market drove up the youth labour market participation rate in recent years.

Total employment will grow one per cent in 2007 to 247.6 thousand and 1.3 per cent in 2008 to 250.9 thousand. With participation rates for all age groups reaching relatively high levels, continuous job growth will move unemployment rate lower to 5.9 per cent in 2007 and 5.7 per cent in 2008.

Homeownership Attainability Peaked

Falling mortgage rates and rising median household incomes since 1990 have allowed more families in the London area qualify for homeownership. Annual existing home sales rose 62 per cent from 1990 to 2005 while population grew 20 per cent.

Mortgage rates gradually trended higher after hitting bottom in 2005. The average home price gain has been outpacing income growth rate in recent years. The growth of homeownership attainability is expected to put on hold.

Mortgage Interest Rates

Mortgage rates are expected to remain flat through the end of 2007. While still low by historical norms, mortgage rates are expected to rise gradually by 25-50 basis points in 2008. The one year posted mortgage rate is forecast to be in the 6.50-7.50 per cent range, while three and five year posted mortgage rates are forecast to be in the 6.75-7.75 per cent range in 2008.

Forecast Summary
London CMA
Fall 2007

	2004	2005	2006	2007f	% chg	2008f	% chg
Resale Market							
MLS® Sales	8,953	8,873	8,960	9,430	5.2	9,060	-3.9
MLS® New Listings	13,555	13,732	14,733	15,140	2.8	15,760	4.1
MLS® Average Price ($)	166,464	178,060	189,007	201,200	6.5	209,900	4.3
New Home Market							
Starts:							
Single-Detached	2,336	2,063	2,090	2,030	-2.9	1,950	-3.9
Multiples	742	1,004	1,584	1,276	-19.4	1,256	-1.6
Semi-Detached	26	44	42	56	33.3	56	0.0
Row/Townhouse	303	310	414	270	-34.8	300	11.1
Apartments	413	650	1,128	950	-15.8	900	-5.3
Starts - Total	3,078	3,067	3,674	3,306	-10.0	3,206	-3.0
Average Price ($):							
Single-Detached	246,948	270,936	273,548	292,150	6.8	303,000	3.7
Median Price ($):							
Single-Detached	220,425	240,000	250,975	270,560	7.8	281,390	4.0
New Housing Price Index (% chg.)	4.8	4.9	5.2	3.6	-	4.5	-
Rental Market							
October Vacancy Rate (%)	3.7	4.2	3.6	3.7	0.1	3.9	0.2
Two-bedroom Average Rent (October) ($)	758	775	790	807	2	825	2
Economic Overview							
Mortgage Rate (1 year) (%)	4.80	5.80	6.30	6.86	0.56	7.19	0.33
Mortgage Rate (5 year) (%)	6.05	6.30	6.45	7.02	0.57	7.41	0.39
Annual Employment Level	243,600	243,100	245,600	247,600	0.8	250,900	1.3
Employment Growth (%)	3.9	-0.2	1.0	1.3	0.3	1.5	0.2
Unemployment rate (%)	5.9	6.6	6.2	5.9	-	5.7	-
Net Migration	2,447	1,377	1,168	n/a	-	n/a	-

MLS® is a registered trademark of the Canadian Real Estate Association (CREA).

Source: CMHC (Starts and Completions Survey, Market Absorption Survey), adapted from Statistics Canada (CANSIM), London & St. Thomas Association of Realtors (LSTAR)®, Statistics Canada (CANSIM)

NOTE: Rental universe = Privately initiated rental apartment structures of three units and over

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